

Program B: Loan Operations

Program Authorization: R.S. 36:642d(2); R.S. 36:650-615B; R.S. 17:3021 et seq; R.S. 56:797; P.L. 100-50; Acts 476 of 1997 Regular Session

PROGRAM DESCRIPTION

The mission of the Loan Operations Program is to administer the federal and state educational loan programs for the benefit of all program participants.

The goals of the Loan Operations Program are:

1. Effectively and efficiently administer program and services.
2. Maintain statutory and regulatory compliance.
3. Achieve and maintain highest level with customer satisfaction.
4. Increase revenues to the operating funds.

The Loan Operations Program includes the following activities:

1. Loan Administration - Processes new loans and services and existing loan guarantees on behalf of the borrower and holder of the loan note.
2. Preclaims Section - Assists lenders, services, and delinquent borrowers in avoiding defaults on delinquent loans.
3. Claims Section - Processes claims against the loan guarantee filed by holders of the note and ensures that all claims scheduled for payment meet program requirements.
4. Collections Section - Maintains inventory control and collection activities to maximize recovery of defaulted loans and to ensure compliance with program regulations.

The Loan Operations Program administers federal and state student loan programs and performs the functions of loan origination and servicing, default prevention, default claim payment, and default recoveries.

GENERAL PERFORMANCE INFORMATION: LOAN OPERATIONS			
PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1996-97	PRIOR YEAR ACTUAL FY 1997-98	PRIOR YEAR ACTUAL FY 1998-99
Cumulative default recovery rate	49.34%	45.70%	54.50%
Cumulative collections - recoveries in millions	\$139.0	\$119.4	\$162.3
Cumulative defaults paid - in millions	\$281.7	\$277.6	\$297.8

OBJECTIVES AND PERFORMANCE INDICATORS

Unless otherwise indicated, all objectives are to be accomplished during or by the end of FY 2000-2001. Performance indicators are made up of two parts: name and value. The indicator name describes what is being measured. The indicator value is the numeric value or level achieved within a given measurement period. For budgeting purposes, performance indicator values are shown for the prior fiscal year, the current fiscal year, and alternative funding scenarios (continuation budget level and Executive Budget recommendation level) for the ensuing fiscal year (the fiscal year of the budget document).

The objectives and performance indicators that appear below are associated with program funding in the Base Executive Budget for FY 2000-01. Specific information on program funding is presented in the financial sections that follow performance tables.

1. (KEY) To maintain a minimum reserve ratio that complies with the minimum federal requirement of .25%

Explanatory Note: The minimum reserve ratio is the reserves to original principal outstanding. The minimum requirement for the previous year was 1.1%.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Reserve ratio - reserve balance/loans outstanding	1.1%	1.39%	1.3%	1.3%	0.73%	0.73%
K	Reserve fund cash balance (in millions)	\$15.2	\$15.595	\$19.5	\$19.5	\$12.2	\$12.2
K	Loans outstanding (in billions)	\$1.3	\$1.123968	\$1.5	\$1.5	\$1.7	\$1.7

2. (KEY) To achieve an 88% aversion rate to insure defaults are less than 5% of loans in repayment.

Strategic Link: *This objective ties to OSFA Strategic Plan Objective II.2, to increase default aversions to 92% by June, 2002.*

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Defaults averted rate	93.1%	79.3%	86%	86%	88%	88%
K	Annual default rate	Not applicable ¹	3.5%	Not applicable ¹	3.7%	3.9%	3.9%
S	Number of Lender's Requests for Assistance (LRA's) accepted	Not applicable ²	34,809	42,356	42,356	48,164	48,164
S	Number of Lender's Requests for Assistance (LRA's) averted	Not applicable ²	27,597	36,426	36,426	42,384	42,384
S	Annual default claims paid (in millions)	\$26.3	\$25.1	\$27.6	\$27.6	\$30.3	\$30.3
S	Loans in repayment (in millions)	\$654.5	\$682	\$728.6	\$728.6	\$778.6	\$778.6

¹ New indicator added for FY 2000-2001, therefore the indicator has no yearend performance standard for FY 1998-1999 or an Act 10 performance standard for FY 1999-2000.

² New indicator added for FY 1999-2000, therefore the indicator has no yearend performance standard for FY 1998-1999.

3. (KEY) To increase the default recovery collections by 8%.

Strategic Link: *This objective ties to OSFA Strategic Plan Objective II.3, to increase collections by 37% by September 30, 2003.*

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Percentage increase in default recovery collections	Not applicable ¹	12.3%	8.9%	8.9%	8.0%	8.0%
K	Default collections	Not applicable ¹	\$14,466,664	\$15,958,778	\$15,958,778	\$17,234,412	\$17,234,412

¹ New indicators added for FY 1999-2000, therefore the indicator has no yearend standard for FY 1998-1999.

4. (SUPPORTING) To increase the claims acceptance rate to 85% by September 30, 2001.

Strategic Link: *This objective ties to OSFA Strategic Plan Objective I.2 in the Loan Operations Program.*

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
S	Percentage of claims accepted	Not applicable ¹	83.4%	Not applicable ¹	84.0%	85.0%	85.0%
S	Number of claims received	Not applicable ¹	9,814	Not applicable ¹	10,568	11,480	11,480

RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 1998-1999	ACT 10 1999- 2000	EXISTING 1999- 2000	CONTINUATION 2000 - 2001	RECOMMENDED 2000 - 2001	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$19,716	\$12,162	\$12,162	\$12,162	\$12,162	\$0
STATE GENERAL FUND BY:						
Interagency Transfers	0	0	0	0	0	0
Fees & Self-gen. Revenues	0	14,414	14,414	14,506	14,414	0
Statutory Dedications	9,312	2,582,620	2,582,620	2,582,620	2,582,620	0
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	20,106,703	22,082,620	22,082,620	22,145,689	26,051,175	3,968,555
TOTAL MEANS OF FINANCING	\$20,135,731	\$24,691,816	\$24,691,816	\$24,754,977	\$28,660,371	\$3,968,555
EXPENDITURES & REQUEST:						
Salaries	\$1,454,787	\$1,521,544	\$1,556,588	\$1,609,636	\$1,641,784	\$85,196
Other Compensation	57,655	62,551	62,551	62,551	62,551	0
Related Benefits	292,351	326,454	291,410	298,704	311,891	20,481
Total Operating Expenses	662,801	983,316	983,316	1,001,138	1,138,601	155,285
Professional Services	4,763	180,000	180,000	183,600	180,000	0
Total Other Charges	17,239,012	21,601,051	21,601,051	21,599,348	25,321,894	3,720,843
Total Acq. & Major Repairs	424,362	16,900	16,900	0	3,650	(13,250)
TOTAL EXPENDITURES AND REQUEST	\$20,135,731	\$24,691,816	\$24,691,816	\$24,754,977	\$28,660,371	\$3,968,555
AUTHORIZED FULL-TIME EQUIVALENTS: Classified	64	62	62	62	63	1
Unclassified	0	0	0	0	0	0
TOTAL	64	62	62	62	63	1

SOURCE OF FUNDING

This program is funded with the General Fund, Fees and Self-generated Revenues, Statutory Dedications, and Federal Funds. The Fees and Self-generated Revenue is derived from fees paid for participating school appealing their federal cohort default rate. The Statutory Dedications are from the Louisiana Employment Opportunity Loan Fund and the Louisiana Opportunity Loan Fund. (Per R.S. 39:32B.(8), see table below for a listing of expenditures out of each Statutory Dedicated fund.) The Federal Funds are from the Federal Family Education Loan (FFEL) Program's various administrative cost allowances and reimbursement of defaulted student loan claim payments made to participating lenders.

	ACTUAL	ACT 10	EXISTING	CONTINUATION	RECOMMENDED	RECOMMENDED
	1998-1999	1999- 2000	1999- 2000	2000 - 2001	2000 - 2001	OVER/(UNDER) EXISTING
Louisiana Employment Opportunity Loan Fund	\$9,312	\$332,620	\$332,620	\$332,620	\$332,620	\$0
Louisiana Opportunity Loan Fund	\$0	\$2,250,000	\$2,250,000	\$2,250,000	\$2,250,000	\$0
Rockefeller Trust Fund						
TOPS Teacher Preparation Fund						
TOPS Tobacco Fund						

ANALYSIS OF RECOMMENDATION

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
\$12,162	\$24,691,816	62	ACT 10 FISCAL YEAR 1999-2000
			BA-7 TRANSACTIONS:
\$0	\$0	0	None
\$12,162	\$24,691,816	62	EXISTING OPERATING BUDGET – December 3, 1999
\$0	\$36,205	0	Annualization of FY 1999-2000 Classified State Employees Merit Increase
\$0	\$24,137	0	Classified State Employees Merit Increases for FY 2000-2001
\$0	(\$16,900)	0	Non-Recurring Acquisitions & Major Repairs
\$0	(\$1,703)	0	Rent in State-Owned Buildings
\$0	\$3,801,816	1	Workload Adjustments - An increase in the Federal Reimbursement Fee and an increase in TOPS related workload are responsible for this increase.
\$0	\$125,000	0	New And Expanded Adjustments - Represents an increase in Operating Services to enhance loan default prevention. All federal funds.
\$12,162	\$28,660,371	63	TOTAL RECOMMENDED
\$0	\$0	0	LESS GOVERNOR'S SUPPLEMENTARY RECOMMENDATIONS
\$12,162	\$28,660,371	63	BASE EXECUTIVE BUDGET FISCAL YEAR 2000-2001
			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL:
\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL

			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE:
\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE
\$12,162	\$28,660,371	63	GRAND TOTAL RECOMMENDED

The total means of financing for this program is recommended at 116.1% of the existing operating budget. It represents 99.8% of the total request (\$28,722,028) for this program. Additional federal funds provided for workload adjustments are responsible for the increase in the program.

PROFESSIONAL SERVICES

\$180,000 Administrative Hearing Officer required for administrative wage garnishment hearings

\$180,000 TOTAL PROFESSIONAL SERVICES

OTHER CHARGES

\$682,738 USAGroup (software support)
\$12,263 Legislative Auditor (audit costs)
\$21,691,044 FFELP
\$2,500,000 LA-OP
\$294,856 LEO

\$25,180,901 SUB-TOTAL OTHER CHARGES

Interagency Transfers:

\$140,993 Building rent

\$140,993 SUB-TOTAL INTERAGENCY TRANSFERS

\$25,321,894 TOTAL OTHER CHARGES

ACQUISITIONS AND MAJOR REPAIRS

\$3,650 Computer equipment added for a workload adjustment

\$3,650 TOTAL ACQUISITIONS AND MAJOR REPAIRS